

IOWA RACING & GAMING COMMISSION

MINUTES

MAY 13, 2010

The Iowa Racing & Gaming Commission met on Thursday, May 13, 2010 at Stoney Creek Inn & Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; Toni Urban, Vice Chair, and members Kate Cutler, Andrea Harrison and Paul Hayes.

Chair Seyfer called the meeting to order at 10:00 AM, and requested a motion to approve the agenda. Commissioner Cutler moved to approve the agenda as presented. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes. Commissioner Cutler moved to approve the minutes from March 23, April 6-7 and 14-15, and May 4, 2010 as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator of IRGC, for comments. Mr. Ketterer stated that one goal of the process was to be open and transparent. He noted that all meetings except the Division of Criminal Investigation (DCI) reports were open to the public, which was evident, as was the Commissioner's due diligence, during the hours of testimony received on May 4th.

Mr. Ketterer stated that the process was designed to provide the Commissioners with everything they needed to know about the proposed projects. Through the applications, requests for additional information including the equity and financing commitments, the presentations, the site visits, the DCI background investigations, the public hearing and finally, the Commissioners' question and answer period with the applicants, the applicants have had the opportunity to tell the Commission everything about their projects. He thanked the applicants for their courtesy throughout the process and in their communication with staff.

Mr. Ketterer thanked the DCI management team and agents for their extensive investigative work and information provided to the Commission during the process. He also recognized IRGC staff for their efforts throughout the process. Last, but not least, Mr. Ketterer thanked the Commissioners for the extensive amount of time spent over the last year deciding whether or not to open up the application process, and then on the process itself, noting that all have full-time jobs and are involved in service and activities other than the Commission. He stated that it is the staff's responsibility to provide the Commissioners with the necessary information to make an informed decision. Mr. Ketterer stated that the Commissioners reviewed all of the information provided, and asked questions and requested additional information from the applicants, leaving no room to question their due diligence. He thanked them for their efforts and dedication to the endeavor.

Chair Seyfer thanked Mr. Ketterer and IRGC staff on behalf of the Commission. He went on to note that after the four new licenses were granted in May 2005, questions were immediately asked about when the Commission would again consider applications. He anticipates that question coming up again, and asked each Commissioner to give their thoughts on this matter going forward, starting with his own thoughts.

Chair Seyfer stated that he had reviewed all of the minutes since the licenses were granted in 2005. The Commission members at that time decided not to impose a moratorium, and he concurred with their decision, stating that one Commission can not bind future Commissions. The members from 2005 decided to wait at least 18 months before beginning discussions, and did not commence any discussions until March 2008. Chair Seyfer stated that he felt a longer time frame would be more appropriate, noting the economy, financing difficulties, etc. He suggested anywhere from three to five years.

Chair Seyfer called on Commissioner Hayes, who stated that the issue of gaming saturation in Iowa is significant. He indicated that after reviewing the gaming studies performed on behalf of the Commission, and absent any substantial change in the population of the state, the Commission will not need to address the issue of additional licenses until the population increases substantially.

Commissioner Cutler concurred with comments from both Chair Seyfer and Commissioner Hayes, and believes that 3-5 years would be appropriate. She noted that discussions were delayed after the last process as it took IOC Waterloo longer to get up and going than anticipated.

Commissioner Urban expressed her agreement with the previous comments. She stated that the studies indicated a certain point of saturation in Iowa. She indicated that some of the outcomes may have been different if Iowa was experiencing a robust economy. Commissioner Urban concurred a 3-5 year time frame was appropriate before any further discussions regarding additional licenses.

Commissioner Harrison expressed her agreement with the previous comments in a five-year time span. She noted that in addition to being a lengthy process, it weighs heavy on hearts and dreams of the residents in the communities. She indicated it is a very expensive process in more ways than one.

Chair Seyfer moved to the discussion of the applications before the Commission, and called on Mr. Ketterer. He advised the Commissioners that staff has developed some conditions for all of the applicants should they be approved for a license, and that following any motion made to approve a license, he would like to read the conditions for that particular applicant.

Chair Seyfer stated that each Commissioner would address all of the license applications at the same time, and called on Commissioner Hayes.

Commissioner Hayes thanked the citizens of Iowa for the substantial input provided via correspondence, e-mails, and phone calls over the last several months, and particularly the personal comments made during the May 4th public hearing. He also thanked the DCI and IRGC staff for their support throughout the process.

Commissioner Hayes stated that his decision was based on a thorough review of the two independent studies of the gaming market, the contents of the application, the applicants' response to questions from the Commission, DCI background reports, site visits, and input from Iowans impacted by the decision. He noted the Commission's rules provide 17 criteria to be considered in making a decision to grant a gaming license. While he considered all of the criteria, he gave more weight to some factors than others. Commissioner Hayes stated that when he voted to open the application process, he expressed his belief that Iowa is reaching the saturation point with respect to gaming in the state. This belief was shown to be true due to the projected impact and cannibalization of existing casinos that would occur should licenses be granted to some of the applicants, and was an important factor in his decision. Commissioner Hayes stated that he was also interested in the level of community support as indicated by the local referendum, the projected support for the non-profit license holders and the impact on the county, the level of revenue from other states, the financial structure of the proposed facility and the input from the citizens of the entire state. He noted that there was no pressure from the applicants, elected officials or others outside of what is in the public records, and as such, did not play a part in his decision.

Commissioner Hayes stated that based on the process and the following reasons, it is his intention to vote for a license for Lyon County and vote to deny licenses to the other applicants. He noted that the gaming studies indicated only minimal cannibalization of an existing operator by granting a license to Lyon County. The other applicants would have received between 50-70 percent of their revenue from existing casinos. He felt in some cases existing properties would be impacted to the point that they would not be able to survive or their operations would have been seriously reduced, resulting in employment losses and reduced financial support for the non-profit license holders.

Secondly, Commissioner Hayes interpreted high voter approval of the gaming referendum with high voter turnout as a significant indicator of community support by an engaged and involved community. His review of the referendum results showed the highest voter turnout and percentage of votes in favor of the gaming referendum were in Lyon County with over 69% of eligible voters participating and 62% voting in favor of the referendum. No other county exceeded 50%, nor did any county exceed 30% of eligible voters' approval of the referendum. Only 19% of the eligible voters turned out in Wapello County.

Additionally, Commissioner Hayes looked at the projected support for the non-profit license holder and the relative impact it would have on the county, which are impacted by the revenues of the property and the population of the county in which it is located. He noted that Lyon County had the highest level of payments to the non-profit license holder

and the lowest county population, resulting in a significant impact on the individual residents of the county. The non-profit also provided a well-reasoned approach for distributing the funds received.

Commissioner Hayes noted that the gaming studies projected out-of-state revenues, and also played an important part in his decision. Lyon County was projected to receive over 80% of its revenues from out-of-state customers; all others were projected to receive less than 10%.

Commissioner Hayes noted that all applicants were advised at the October 2009 meeting that financing arrangements were expected to be in place by the January 2010 meeting, allowing applicants two months beyond the November application deadline to firm up any financing commitments. The extended deadline was provided in recognition of the challenges that all business ventures were experiencing obtaining financing. Additionally, the Commission wanted to be sure that all of the necessary background checks could be completed in a timely manner as the law requires and that construction would commence promptly after a license was granted. He stated that obtaining investor and lender commitments would be a solid vote of confidence for the financial feasibility of the property. Commissioner Hayes pointed out that Lyon County clearly met the requirement, while as recently as last week the Commission had not received adequate documentation from either the Wapello or Tama projects.

Commissioner Hayes stated that he received substantial input from the general public in opposition to the Webster County and Wapello County applications. He stated the above factors played a major part in his decision.

Chair Seyfer called on Commissioner Cutler. Commissioner Cutler stated that she too reviewed all of the information received, plus did her own due diligence. She stated that she felt there was a lot of misunderstanding or misinformation on the part of the public, noting the Commissioners heard from those individuals who were pro and con for casinos; heard from those who were enlightened, reasoned, confused, naive, hopeful, discouraged, and angry ó the full spectrum. Commissioner Cutler pointed out that the Commission has rules they have to follow as a regulatory body; she indicated there were two that she looked at most closely were the financial integrity of the projected revenue numbers and the financing of the project itself. She noted that those in attendance at the public hearing should have been aware of the Commission's concern as to where the money was actually coming from and who would be supplying the money. She pointed out there were many unanswered questions. Commissioner Cutler stated the Commission knew the financing would be an issue last summer due to the economy, the fact that a lot of financial institutions were no longer financing casinos, some facilities have entered bankruptcy, and casinos in Las Vegas and Atlantic City are also experiencing difficulties. She stated that the Commission made it very clear to all of the applicants that it was important for the Commission to know who was providing the actual financing. She noted that Franklin County could not come up with the necessary financing, so did not pursue a license. Commissioner Cutler stated it was important for the financing to be in

place at the deadline was to allow sufficient time for the DCI agents to do the necessary background investigations. Iowa Code Section 99F.6(4) states that before a license can be granted the DCI shall conduct a thorough background investigation and the applicant shall provide information to them on a form prescribed by the DCI. She noted those in attendance at the public hearing should have been aware of the fact that the Commission did not have the required information; there was an outright refusal from one of the financing entities to complete the background check or provide any information. Those types of issues raise concerns as to where the financing is coming from. Commissioner Cutler stated that some wrote stating that financing problems can be addressed; it is a temporary issue; just a bump in the road. She stated that is not the Commission's view, and the numbers were to be provided in January. The Commissioners have let the process continue, and were provided additional information yet this week.

Commissioner Cutler stated that the Commission needed to look at the impact of the pro formas and the numbers provided to determine if they were solid numbers, or if they were picked out of the air. She stated that all of the Commissioners are concerned about the saturation point in Iowa. The Commissioners have been able to see from the numbers provided over the last few months that the revenues from the same store properties from Fiscal Year 2006 and projected through the end of Fiscal Year 2010, are down: IOC Bettendorf is down 21.8%, Lady Luck Davenport down 29.4%, Ameristar down 17.8%, Harrah's down 21.8%, and Terrible's 18.8%. Commissioner Cutler stated these numbers show there is a saturation point in the state; and the reason the total numbers haven't reflected that is because of the gaming machines at the racinos and the four new licenses granted in May 2005. She stated the numbers caused a real concern for all them, and made it imperative that they made sure the financial projections were realistic; and there were some that kept floating around and didn't provide much confidence. She moved to her review of the applications.

Tama County: Asked who the equity investors would be at the January 14th Commission meeting; they were not identified. On January 25th, during a meeting it appeared there would be five or six investors from Sioux City. On February 8th, there was a memo of understanding indicating there would be a core group of investors, but none were identified. Commissioner Cutler noted the length of time required to perform a thorough DCI background. On April 6th, the Commission was still receiving changes to the financing for the project with the addition of Sunway Hotel, London Bay, and Northland Securities. She noted that no background investigation was completed on London Bay; talking with individuals at the company or going to the physical office is not the same as a background check. Based on the above, Commissioner Cutler stated that she would not vote in favor of a license for Tama County.

Wapello County: The Bridge View Center is great; the project was good & much better than last time, and a much better approach. That being said, there were issues with the funding source; that it changed during the public hearing on May 4th which did not allow for the necessary time to perform the background investigation, regardless of how reputable the company/individuals are. All applicants needed to follow the same process.

She stated that if Franklin County felt they could change the funding source in mid-May they might have stayed in the mix. She stated that the rules and regulations were in place and should have been clear to every one. The Commission was very clear on the fact that they needed to know who the funding sources were. The Commission did not have a signed Commitment Letter from Morgan Stanley, nor anything in writing from any of the funding sources. She noted that the pro forma projections were based on double digit revenue growth, which she felt was unrealistic in the current economy. The operating expenses were 48.65% of revenue, which none of the current operators has been able to achieve. Commissioner Cutler stated that based on the above factors, she would vote no for a gaming license in Wapello County.

Webster County: She stated that the on-going investigation into the financial contributions to Governor Culver's re-election committee was not a factor in her decision. Her main concern was the cannibalization of Wild Rose Emmetsburg (WRE) facility, noting the Commission has received numbers from various groups as to what the impact would be. Based on the amount of money that a Fort Dodge facility would pull from WRE in 1-2 years would be sufficient to put them out of business. She stated that while she enjoyed the presentation on how the two facilities would grow the market, she does not feel that is what would happen. Commissioner Cutler stated that she would vote no for a license for Webster County.

Lyon County: Tourism is great, and comes from South Dakota and Minnesota, and provides a reminder of Worth County; finding out after three months of operations that the projections were not correct, that there was much more revenue coming in and growth within the county. The projected revenue numbers, solid bids, and preliminary bid packages that are out, all provide solid numbers the Commission could look at, and they did not change over time. The financing for the project was in place in January as requested, and the necessary DCI background checks could be completed. Based on these facts, Commissioner Cutler stated that she would vote for a license for Lyon County.

Chair Seyfer called on Commissioner Urban. She thanked the applicants for their perseverance throughout the process, noting that it has been lengthy, demanding, tedious and financially burdensome. She noted that Iowans have participated in the process through e-mails and letters voicing their approval or disapproval of additional casinos. Commissioner Urban thanked them for taking the time to express their concerns.

Commissioner Urban stated this was the first time cannibalization would be a major issue, as well as the economy. Current licensees have experienced an average loss of revenue of approximately 4% over the last eight months. The two gaming market studies done on behalf of the Commission indicated new casinos would cannibalize current facilities in various degrees. Commissioner Urban stated that while revenues may look good at existing facilities, the reality could be quite different if a new facility opened nearby. She felt that if the Legislature intended every county to have casino, the law would have stated that. She went on to state that the Commission specifically talked

about the difficulty in obtaining financing as many sources used previously are not available at the present time.

Commissioner Urban noted that the criteria to be utilized in granting licenses are set forth in Administrative Rules 491-1.7(1) through 1.7(17), and ultimately, the applicants must answer to the administrative rules regarding the granting of a license.

Commissioner Urban stated that Lyon County was the least difficult application to review; the information was submitted in a professional, detailed and organized manner. Additional materials were prepared and submitted in a timely manner. They met all of the deadlines, including the one for financing. The Administrative Code addressed the economic impact to the state and local communities from direct and indirect benefits and the impact on existing casinos. The gaming studies indicated a \$120 million investment with estimated annual revenues in excess of \$70 million would have a major impact on Lyon County and revenues to the state. It is estimated that Sioux Falls, South Dakota, with an estimated population of 200,000, would account for approximately 71% of the total gaming revenue for Lyon County. A Lyon County casino would have a negligible impact on existing facilities; taking less than 6% of their revenues from Argosy Casino-Sioux City. Commissioner Urban noted that metropolitan Sioux City encompasses four counties with a population of 143,000.

With regard to tourism, a Lyon County casino could draw from tourists traveling to the Badlands, Mt. Rushmore, and other tourist attractions to the west. The facility will also feature many amenities which will help make it a destination vacation spot for families.

The Administrative Rules also address employment opportunities for Iowans. Commissioner Urban noted that the applicant estimates over 700 will be employed at the facility with an annual payroll of \$13.5 million. She noted that while the casino will be located in a less populated area of the state and in close proximity to the South Dakota and Minnesota borders, the applicant has assured the Commission that they will make every effort to employ Iowa employees, and anticipation of receiving a license, is making a concerted effort to hire Iowa contractors.

Commissioner Urban noted that questions have been raised regarding the efficient and safe operation of the casino and the possible need for additional fire equipment for the county and additional deputies to cover the increased traffic. The applicant has assured the Commission that everything needed by the County will be provided to insure that the casino will function safely.

Commissioner Urban noted that 491-1.7(3)c requires the Commission to consider the strength and credibility of financing for the new casino. She noted that the Kehl family will provide the equity financing using a substantial amount of family money, along with 457 equity partners, most of whom are Iowans. She stated that the list of equity partners and commitment letter from Jefferies Company for the debt financing of \$70 million were provided to the DCI by the January 7, 2010 deadline.

Commissioner Urban stated that a Lyon County casino will benefit the residents of the County by providing funding for community projects, estimated to be approximately \$2.7 million annually. Additionally, it will provide much needed revenue to the State with the least amount of cannibalization. She stated that the Kehl family has shown their loyalty to Iowa, and that they have the character and integrity that Iowa appreciates. Commissioner Urban indicated she would vote in favor of a casino in Lyon County.

Commissioner Urban stated that Tama County has put together a relatively modest project for a casino and hotel on a beautiful piece of property. She stated that one of the criteria the Commission must look at is the viability of a proposed casino. The facility would have four casinos in close proximity; a large Native American casino in the immediate area, Prairie Meadows Racetrack & Casino in Des Moines, Isle of Capri in Waterloo and Riverside Casino & Golf Resort south of Iowa City. The gaming studies indicated that this proposed facility would only capture 3.3% of the local market; the lowest rate of any of the applicants. The studies further indicated that a Tama County facility would benefit the least from tourism, due to its central location. The proposed \$40 million project would generate approximately \$17.3 million in annual revenue. The GVA Marquette study did not even consider a casino/hotel project in Tama with an investment of less than \$100 million. Commissioner Urban stated that it was her belief that the project as proposed was not viable; that the amenities are for summer travelers, and while the Commission has heard about winter activities, it does not appear they would attract casino visitors. She also noted that the majority of attendees at a conference in a 500-seat conference center would not be able to stay at the property with just an 80-room hotel. She wondered why they would choose to return to the property to gamble.

Commissioner Urban noted that revenue information from the Meskwaki Tribe is proprietary but they have indicated their casino has sustained a substantial revenue loss with the opening of the Isle of Capri in Waterloo. The Meskwaki facility has a 450-room hotel, RV parking and large gaming floor, providing too much competition for a much smaller facility. Commissioner Urban stated that the Commission does not wish to grant a license unless there is an assurance of viability and a projection of continued increases in revenue and profitability, both of which she believes would be at risk for the proposed project.

Commissioner Urban moved on to the financing of the proposed project. She noted that Signature Management (Signature) did not have the equity financing committed by the January 7, 2010 deadline. The Commission continued to allow prospective licensees time to acquire financing. Signature was unable to supply the names of any equity partners, even after having an extension of time until February 7th. Financing options continued to change and became even more convoluted. A May 6th letter from Sunway Hotel Group states they are committed to the hotel casino project in Tama County, and further states that the debt financing for the project will be with Northland Networks. The letter indicates that Sunway knows that Northland Networks will be successful in raising the debt for this project. While Signature maintains that Northland Securities is

providing the debt financing, Northland states that they will need to use the bond market for the Tama financing. Therefore, there is no guarantee of the debt financing. Additionally, there is \$16 million of equity financing that is needed. At the May 4th public hearing, Signature skyped in Sam Humphreys, CEO of London Bay Company, who indicated his company is able to provide the equity partners for the project, but only after a license is provided. Commissioner Urban stated that on several occasions, Commission members made it quite clear that facilitators, syndicators and agents did not take the place of a firm binding term of commitment, whether for debt or equity. It is the Commission's responsibility as a regulatory agency to protect the integrity of gaming in Iowa. Financing must be credible, transparent and committed. In the case of the Tama County application, it is not.

Commissioner Urban moved to the question of community support. She questioned the relationship between the Meskwaki Tribe and Signature; noting the Commission had been informed they had a harmonious working relationship with the Tribe. However, the Commission has received letters from the Tribal Council urging denial of the license. Commissioner Urban noted that the Native Americans have had the ability to enrich the lives of their tribal members through casino revenue; and it is believed that other Iowa casinos have already cannibalized some of the revenue. In their letters, the Meskwaki stated they employ 984 individuals and that 85% of the jobs are not held by Meskwaki tribal members. The Meskwaki Casino is the largest employer in Tama. Commissioner Urban stated that she would vote to deny a license for Tama County.

Commissioner Urban stated that the voters of Wapello County have voiced their support and disapproval of a casino in various ways, and are highly emotional about what a casino could or could not do for the community. While the project meets most of the criteria according to the Code, there are two main issues which are still in question: the economic impact and financing.

Commissioner Urban pointed out that a low-end investment, as proposed, is estimated to bring in \$35 million in annual revenue with approximately 15.8 million of that being cannibalized from existing facilities; and due to the location, there is little ability to improve revenue or profitability without further affecting other casinos. She noted that the proposed project is located between two casinos which are facing financial difficulties – Terrible's Lakeside Casino in Osceola and Catfish Bend in Burlington. One of the gaming studies performed on behalf of the Commission indicated 15-20% of the revenue would come from Terrible's and approximately 4.3% from Catfish Bend although Catfish Bend believes the impact would be much greater. Commissioner Urban noted that Catfish Bend has already experienced a decline of 3.3% in revenue due to the economy, and is projected to see modest declines through 2013 due to new major casinos across the river.

Commissioner Urban stated that the applicant started out with what may have been an acceptable financial proposal through Esmark; however, they turned to Saqqara Gruppe, LLC and Antoine Smith to act as their financing agents. The Commission originally

believed that Saqqara was going to fund the project but came to realize that they were only a "facilitator". The applicant was reminded over a 4 month period that he did not appear to have financing, only empty promises. The latest promise through Saqqara was that Morgan Stanley was going to finance the project; however the Commission never received any documentation supporting that claim. During the Public Hearing on May 4th, the applicant reintroduced Esmark as their financial alternative. Commissioner Urban pointed out that the deadline for submitting committed financing was on January 7, 2010, and while the Commission showed much leniency, May 4th was far too late to bring Esmark back into the picture. At that late date, there was no time for the DCI to do a thorough background investigation as required by law. Commissioner Urban stated that, in short, the applicant did not have financing for the project. She stated that she would vote to deny a license to Ottumwa.

Commissioner Urban stated that while the Fort Dodge applicant has met most of the criteria for a license, they have been unsuccessful in dealing with the matter of cannibalization. She noted that the GVA Marquette study estimated that a mid-size Webster County facility would receive 50% of its revenue from existing casinos, mostly Wild Rose Emmetsburg and Prairie Meadows, and to a lesser degree, the Meskwaki Casino, the Isle in Waterloo and Diamond Jo Worth. The study pointed out that Wild Rose Emmetsburg has a finite base to draw from, and the location of larger facilities in all directions would prevent them from being able to significantly expand their customer base. Commissioner Urban noted that a second study predicted that Wild Rose Emmetsburg could see gaming revenues decline between 20-27% if a casino were built in Webster County.

Commissioner Urban pointed out that late in the process, Peninsula Gaming's CEO stated that he would make the non-profit whole in Emmetsburg and even buy out the investors in case Emmetsburg was found to be struggling as a result of a new casino in Webster County. In Peninsula's latest attempt, a letter was sent to the owners of Wild Rose Emmetsburg setting forth an offer to buy them out; nothing has been resolved. Commissioner Urban stated that a 27% decline in gaming revenues at Emmetsburg would likely cause them to default on their loans. She noted that the facility has lost revenue annually since opening; and many who addressed the Commission on May 4th expressed the opinion that a Webster County facility would eventually force Emmetsburg to close.

Commissioner Urban stated that the Commission granted Emmetsburg a gaming license at a cost of \$5 million, and believes the Commission must give them an opportunity to succeed. She indicated that had the economy been different, the outcome might be different. Commissioner Urban stated that it is not the Commission's position to bolster one casino at the expense of another. The criteria state that the Commission is to look at the impact of potential markets as well as the impact on existing licenses. Commissioner Urban stated that she would vote to deny Webster County a license.

Commissioner Urban noted that the GVA Marquette study indicated that gaming development in Iowa is limited and that most of Iowa is approaching "equilibrium", and

suggest that only one facility in Lyon County would generate additional demand by tapping underserved markets, and her review of the criteria leads her to the same conclusion.

Chair Seyfer called on Commissioner Harrison, who commenced her comments by thanking IRGC staff and the DCI agents for the thorough investigations and time throughout this process. She noted that she had reviewed hundreds of e-mails and letters from Iowans voicing their opinions. She comments on the efforts and enthusiasm that the citizens of Lyon, Webster, Tama and Wapello Counties exhibited during the site visits.

Commissioner Harrison stated that she based her decisions on the criteria set forth by Iowa Code Chapter 99F and the Administrative Rules. She indicated that she took the results of the studies from GVA Marquette and The Innovation Group into consideration, along with the impact on existing casinos, benefits to Iowa tourism, gaming integrity, stability, reliability of out-of-state markets and the number of employment opportunities for Iowans.

Commissioner Harrison stated that the Tama County applicant had incomplete financial disclosure, the out-of-state market is non-existent, would have little or no benefit to Iowa tourism, and only a high-end facility would be able to compete with the Meskwaki Casino. She stated that she would oppose granting a license to Tama County.

Commissioner Harrison stated that she would oppose granting a license to Wapello County for the following reasons: projected revenues would come from existing casinos, with 12-14% coming from Terribleø Lakeside; incomplete background investigations; incomplete information regarding funding and financial institutions; and DCI deadlines not met.

Commissioner Harrison stated that a Webster County casino would generate approximately 50% of its revenues by cannibalizing revenue from existing casinos, with a largest shares coming from Wild Rose Emmetsburg and Prairie Meadows, and to a smaller extent, Meskwaki Casino, The Isle in Waterloo, and Diamond Jo Northwood. A Webster County facility would provide little in ñnew gaming demandö. She also expressed her dismay that individuals were not allowed to exercise their freedom of speech as they were not afforded the opportunity not compensated to voice their opinion. Commissioner Harrison stated that she opposed granting a license to Webster County.

Commissioner Harrison stated that Lyon County has the potential to be successful in tapping underserved markets in the northwest corner of Iowa, southwest Minnesota and the Sioux Falls area in South Dakota, as shown in The Innovation Group and GVA Marquette gaming studies. She noted that they have met all of the criteria, and will have very little impact on existing casinos. Commissioner Harrison stated that upon the granting of a license, she will be paying attention to the contracts and employment to Iowa-based companies and citizens. She indicated that she would support granting a license to Lyon County.

Chair Seyfer noted that the Commission has been looking at the issue of additional licenses since he was appointed to the Commission in 2006. He advised that over the weekend, he re-read his file, which included the minutes of each Commission meeting, each of the applications, the letters and e-mails from the public, and the two studies. The following items stuck out. When the Commission announced in July that they were going to accept applications, he made the following statements:

- I think it is going to be an uphill battle for anyone who is going to apply now.
- There is a good chance we may not grant any new licenses
- The Commission would focus on financing and the potential negative impact on existing casinos.
- That the Commission would have an open and fair process and discussion.

He expressed his belief that all of the above proved to be true.

Chair Seyfer stated that the Commission elected to have two gaming market studies done on their behalf, and feels, in retrospect, that it was a wise decision. He noted that Commissioner Cutler commented on the impact of the recession on the existing properties; and while the Commission has heard about how the market continues to grow; the growth over the last five years has been at the newer casinos and existing facilities changing over to land-based operations. Chair Seyfer stated that each of the Commissioners has received a voluminous amount of e-mails and letters, most of which expressed their opposition to an expansion of gambling for the following reasons:

- Iowa already has an adequate number of casinos; no one is more than an hour's drive from a casino.
- There is no new money; just a shifting of entertainment dollars.
- New casino is a quick easy fix; Iowa needs manufacturing jobs.
- Most casino jobs would be temporary.
- Most money would go out-of-state.
- The image Iowa is presenting to the nation as a whole.

Chair Seyfer advised that one letter he received expressed most of the above, and proceeded to read it:

“Passing a local referendum to approve a casino license should be the first rather than the final step in granting a license.

Only a state Commission can review the economic viability of adding additional casinos.

There comes a point, and some would argue we've reached it already, where the market can only sustain a given number of gambling operations.

The idea is to grant licenses to ensure viable strong operations with resulting jobs and the potential for spin-off of other local economic growth versus a hodgepodge of barely surviving ones.

It's also important to remember the goal is to bring new dollars into the state's economy; churning existing dollars through the system doesn't provide any real growth unless the jobs and impact improves the state overall.

Chair Seyfer stated that he looked at how the following statutory criteria applied to each of the applicants: revenue provided by the facility, tourism and out-of-state visitors, community support, population base to be served, impact on existing operators, financing, viability of the project, Iowa ownership, socioeconomic impact, and the potential economic impact of the proposed amenities and adjacent development. He noted that the Commission made it known early in the process that they expected financing to be an issue, and that played out as predicted.

Chair Seyfer stated that he would approve a license for Lyon County based upon the studies, the minimal impact on existing casinos, high voter approval, the out-of-state revenues and a very well put together financing package.

Chair Seyfer stated that he would deny a license to Tama County based upon financing issues, the financial integrity of the projections, viability, and little out-of-state market.

Chair Seyfer stated that he would deny a license for Wapello County based upon issues regarding the financing and the funding source, financial integrity of the projections, the impact on Terrible's Lakeside and Catfish Bend Casino, and viability issues.

Chair Seyfer stated that he would deny a license to Webster County based upon the fact that Iowa has a finite market and the impact on Wild Rose Emmetsburg, the city of Emmetsburg and Palo Alto County.

Chair Seyfer called for any further comments. Hearing none, he requested a motion. Commissioner Cutler moved to grant a gaming license to Lyon County, subject to the conditions established by Commission staff. Mr. Ketterer read the following conditions for Lyon County Resort & Casino, LLC and Lyon County Riverboat Foundation, Inc.:

- Subject to the license period of May 13, 2010 through March 31, 2013 and payment of the first installment of the license fee within 30 days.
- Subject to opening the gaming floor to the public only after substantial completion of the entire project. Interpretation of this condition shall be in the sole determination of the Commission.

- Subject to a status report on the construction time table and on financing at the August 26, 2010 Commission meeting and submission of written documentation by August 13, 2010.
- Subject to all required state and local approvals for construction of the project in the proposed location pursuant to 491 IAC 5.4(18)
- Subject to substantial completion of the entire project by December 31, 2011 in essentially the same form as submitted in the application. Interpretation of this condition shall be in the sole determination of the Commission. If the project is not completed by June 30, 2012, a fine of \$41,490.41 per day will be instituted.
- Subject to completion of the golf course by June 30, 2014 and the course opening for play no later than May 15, 2015, in essentially the same form as presented to the Commission. Interpretation of this condition shall be in the sole determination of the Commission.
- Subject to improved access to a fire truck with ladder able to service the hotel proposed in the application by the date of facility opening.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-51)

Commissioner Cutler moved to deny gaming licenses to Signature Management Group of Iowa, L.L.C./Tama County Community Enrichment, Inc.; Ingenus of Iowa LLC/River Hills Riverboat Authority; and Webster County Gaming, LLC/Heart of Iowa Foundation. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-52)

Hearing no further business to come before the Commission, Chair Seyfer requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Harrison seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK